

Light, Bright, Precious - Time for Palladium?

In Greek mythology Pallas was the companion of Athene, the goddess of art and in 1803 William Hyde Wollastone named a new element he had discovered after Pallas - Palladium.

A naturally white metal, a by-product of platinum and nickel mines (but mined in its own right at Stillwater in Montana USA – see below), the annual world production of palladium each year is similar to that of platinum and like its sister metal has a wide range of industrial uses.



Always at the cutting edge of fashion in the world of luxury accessories Swiss watch companies have begun to turn to a new watch metal as an alternative to white gold - palladium

With platinum reserved for their most exclusive designs, the luxury watch brands have long been disappointed that they are forced to compromise quality on some of their regular models. A consumer preference for white has traditionally had to be satisfied with white gold or “or-gris” (grey gold) as they call it.

Using an alloy which has to be rhodium plated to achieve a satisfactory colour and therefore prone to wear is clearly incongruous with the concept of a luxury brand and the watch companies have begun to look at palladium as an alternative.

In its refined state palladium would be too soft for jewelry but adding just 5% of other elements produces hard wearing, 95% pure alloys, ideal for jewellery and watches. These additions do not diminish its whiteness, however, and when polished palladium has an innate lustre that needs no rhodium plating. The relative lightness of the metal also permits trendy larger designs to be produced.

All of these properties are attractive to the Swiss watch companies but the icing on the cake has to be that palladium is a precious metal in its own right – and has a hallmark in Switzerland to prove it. In just the last year Cartier, Parmigiani, Ulysse Nardin and Chopard have all added palladium models to their range with more watch brands lining up to follow suit.

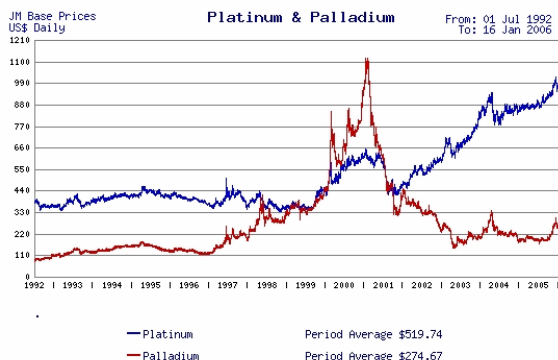


100 Parmigiani Kalpa Grande watches were produced in palladium last year.

Platinum and palladium – the price differential

With interest in palladium jewelry being partly influenced by its comparatively low price it is interesting to compare it with that of platinum over the last ten years. Palladium's drastically changing fortunes need some explanation however.

With adequate palladium supplies in the mid 1990's the metal typically traded at a significant discount to platinum but by the end of the decade demand was on the increase, driven mainly by tighter emission control on hydrocarbons for which palladium catalysts are especially good. Concurrently disruption in supplies from Russia caused concern among auto companies. They began to add strategic stocks to their usual purchase quantities which, with market shortages, pushed palladium prices to record levels, and a significant premium to platinum.



By late 2000, however, palladium's supply demand picture had changed dramatically. Auto companies embarked on significant thrifting programs and the electronics industry reduced their dependence on palladium with a change to capacitor technology which used base metals. Meanwhile the Russians were trying to sell their excess palladium inventory to take advantage of the price levels. With lower demand and over supply being compounded by the sell off of strategic stocks palladium's price plummeted to a low of \$160 per oz.

Despite a comparatively modest recovery in 2005, supported by the Funds and the emerging palladium jewelry sector in China, the price remains at a significant discount to platinum.